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Head Office; Toronto, Canada

1964
ANNUAL
REPORT



THE COMMERCIAL LIFE ASSURANCE COMPANY OF CANADA

GROWING WITH CANADA



52nd
ANNUAL REPORT
for the year ended
DECEMBER 31, 1964

BOARD OF DIRECTORS - 1965

E. S. ALLIN, M.D., F.R.C.S. (Eng.) — Edmonton
Surgeon-in-Chief, The Allin Clinic

P. J. BLOK — Toronto
Managing Director, The Commercial Life Assurance Company of Canada

CHARLES GAVSIE, C.B.E., Q.C. — Montreal
Member, Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard

A. G. S. GRIFFIN, President — Toronto
President, Triarch Corporation Limited

LAWRENCE HYNES, Q.C. — Toronto
Partner, Fraser, Beatty, Tucker, McIntosh & Stewart

ALASTAIR MACDONALD, Q.C. — Ottawa
Partner, Clark, Macdonald, Connolly, Affleck, Brocklesby,
Gorman & McLaughlin

JAMES E. MACNELLY, Vice-President — Toronto
Vice-President and Managing Director, The Halifax Insurance Company

R. K. MARTIN — Toronto
President, Martin, Lucas & Company Limited

J. E. RICHARDSON — Vancouver
President, British Columbia Telephone Company

MAJOR-GENERAL N. E. RODGER, C.B.E., C.D. — Winnipeg
Chairman, The Liquor Control Commission of the Province of
Manitoba

DUDLEY R. SCHOLEY — London, England
Chairman of the Board, The Orion Insurance Company Limited

LT.-GEN. G. G. SIMONDS, C.B., C.B.E., D.S.O., C.D., Vice-President — Toronto
President, Toronto Brick Company Limited

J. VAN DER VELDEN — The Hague
Member of the General Management of N.V. The Netherlands Insurance
Company est. 1845

J. D. WOODS, JR. — Toronto
President, York Knitting Mills Limited

OFFICERS AND EXECUTIVE STAFF - 1965

President

A. G. S. GRIFFIN

Vice-President

LIEUTENANT-GENERAL G. G. SIMONDS,
C.B., C.B.E., D.S.O., C.D.

Vice-President

JAMES E. MACNELLY, F.I.I.C.

Managing Director

P. J. BLOK

Actuary

F. R. CLARKE, F.C.I.I., F.I.A.

Secretary-Treasurer

F. O. VOGELZANG

Agency Administration Officer
R. C. KIRKPATRICK, C.L.U.

Chief Accountant

G. B. HOULDEN

Actuarial and Group Life Supervisors

A. A. BROMBACHER

M. A. LENTZE

Underwriting Supervisor

W. G. SCHAAP

Investment Superintendent

L. E. JARVIS

Assistant Secretary &

Chief Internal Auditor

V. D. HARRIS

Data Research Officer

R. GRIFFITH, A.C.I.S.

Personnel & Internal Services Supervisor

J. L. BOLTON

Medical Referee

J. C. SINCLAIR, M.D.



PRESIDENT'S REPORT

On behalf of your Directors, I submit to you herewith the Fifty-second Annual Report of the Company.

During the year Mr. J. E. MacNelly relinquished the post of Managing Director in order to devote his full time to the affairs of The Halifax Insurance Company. Mr. MacNelly was elected Vice-President of both companies and Mr. P. J. Blok was appointed Managing Director effective August 10th, 1964.

It was felt that the development of the Company requires the services of a full time actuary and accordingly the team of Company Officers was strengthened by the appointment as the Company's Actuary of Mr. F. R. Clarke, F.C.I.I., F.I.A.

The past year has seen further improvement in the volume, quality and persistency of our written business. As a result, business in force showed a gratifying net increase, the total amounting now to over \$120 million and the increase being of the order of 8%. Premium income also showed a satisfactory increase, the total figure being \$1,901,900. Investment income declined slightly owing mainly to the necessity to provide for the payment of interest to the parent company on the debt which was incurred in the purchase from it in 1962 of a portfolio of U.S. and Canadian securities.

In recent years mention has been made of the necessity to strengthen the quality of new business in order to minimize the incidence of "lapsing". It is too early to say that the efforts that have been expended in meeting this important problem have reduced it to satisfactory dimensions; but headway has been made. This tendency which is common in the industry, involves, especially when it occurs in the first year of the life of a policy, serious economic wastage for both policyholder and company. The most effective cure for it is to upgrade standards in the agency force. During the year much was achieved but a great deal still remains to be done before we can be satisfied.

The Canadian economy in 1964 showed a strength and vigour unprecedented in its history. Gross production has risen by 8% from 1963 to 1964 or 6% measured in real terms. Industrial production is at a new record and practically all sections have benefitted by the growth.

The labour force is expanding more quickly than in recent years reflecting the sudden increase in population which took place at the end of the war. Nevertheless, new opportunities in the labour market have kept ahead of this increase and as a result there has been a decrease in unemployment. Total employment was higher in 1964 than in 1963 and unemployment was substantially lower. Unemployment is now less than 5% of the labour force compared with over 10% in early 1961.

Of all sections of economic activity, none has been more gratifying in its results than international trade. Partially as a result of the abnormally large wheat shipments to Russia, exports rose by over 21% in the ten months' period ending in October, while imports increased by 14.4% to provide a trade surplus of over \$686 million.

There are abundant signs that in the field of technology, so important to Canada with its dependence on world trade, development has kept pace with

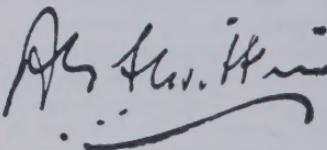
other countries and that the Canadian economy is geared to compete effectively in a world becoming increasingly more closely interrelated.

In financial markets the Bank of Canada has maintained stable growth by continuation of a relatively easy money policy. Greater tax collections during the year point to a smaller budget deficit at the end of the fiscal year than was originally forecast by the Minister of Finance.

In summary, the year has been an outstanding one and the atmosphere is favourable. Nevertheless there are storm clouds over the horizon, and Canada more than most countries, tends to feel at an early stage the effects of economic disorders arising outside its borders. Balance of payments problems in the United States are causing concern in that country notwithstanding highly buoyant conditions. The critical difficulties in Britain, resulting in the imposition of severe corrective measures in the fields of trade, are bound to make their effect felt in this country. It will be important for Canada to maintain a flexible yet decisive attitude towards world economic events in the months ahead.

During the year, several changes took place in the Board of Directors. Mr. W. F. Foster tendered his resignation owing to the pressure of other business and in his place Mr. J. E. Richardson of Vancouver, a Director of The Halifax Insurance Company, was elected. Other vacancies were filled by the election of Mr. Lawrence Hynes, Q.C. of Toronto, Mr. Alastair Macdonald, Q.C. of Ottawa and Mr. D. R. Scholey of London, England. Mr. Scholey brings to the Board representation from The Orion Insurance Company Limited which has become a substantial shareholder of the Company and which is associated with the principal shareholder N.V. Life Insurance Company of The Netherlands est. 1845.

The Directors wish to thank Mr. P. J. Blok, the Managing Director, the staff and in particular the field force for the results which have been achieved during the year.



A. G. S. GRIFFIN,
President.

Toronto, Ontario,
February 22, 1965.



MANAGING DIRECTOR'S REPORT

After a couple of years of a modest amount of new sales in the ordinary section the past year showed a substantial increase of new ordinary life insurance written, revived and increased. Thanks to a concentrated effort of our field force the new ordinary business written amounted to \$20,471,800, an increase of more than 40% over 1963. The resulting increase of our ordinary portfolio, amounting to more than \$7.5 million compares very favourably with that of past years. *✓ 40.7*

The Group Section showed a new increase of almost \$1.7 million, bringing the total amount of Group Business over the 25 million mark. The total of all business in force now amounts to \$121,179,159. *✓ 8.0*

Where changes of management in the branch operations were necessary, appointments were made in accordance with our continued aim to attract field personnel with proven management and supervisory experience. Towards the end of the year the decision was made to improve and strengthen the Home Office Agency Department and plans toward this goal will be carried out in 1965.

The administration opened further facilities with regard to premium payment which will benefit our policyholders and which can improve the persistency. Studies for the installation of a modest computer which will service the administration of our Company as well as that of our affiliated Company, The Halifax Insurance Company, are proceeding.

Income from insurance premiums and annuity considerations rose to \$1,901,900. Total benefits to policyholders amounted to \$1,264,556 and the actuarial reserve for the future benefit of policyholders increased by \$440,793.

The considerable increase in the new business written brought an increase in agency expenses resulting in a small deficit which as an investment for future profit is covered by a transfer from the development reserve.

Toronto, Ontario,
February 22, 1965.

P. J. BLOK,
Managing Director.

THE COMMERCIAL LIFE

BALANCE SHEET

ASSETS

Bonds and debentures (notes 1 and 2):

	1964	1963
Government and other public body	\$10,987,374	\$10,654,876
Public utility and corporation	3,260,991	2,929,787
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	\$14,248,365	\$13,584,663
Common stocks (note 1)	\$ 24,747	\$ 24,747
Mortgages on real estate	754,438	957,247
Loans on the company's policies	831,665	774,494
Cash	6,208	46,190
Investment income due and accrued	216,427	204,563
Outstanding insurance premiums and annuity considerations (less estimated commission and loss on collection)	35,259	30,741
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	\$16,117,109	\$15,622,645

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended December 31, 1964

	1964	1963
Revenue:		
Premiums for insurance and annuity contracts	\$ 1,901,900	\$ 1,829,282
Settlement annuities	22,597	2,429
Investment income (note 2)	783,714	787,116
Net profit (loss) on disposal of investments	890	(1,928)
Miscellaneous revenue	713	1,245
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	\$ 2,709,814	\$ 2,618,144
Expenditure:		
For the benefit of policyholders —		
Increase in reserve for future policy and annuity benefits	\$ 440,793	\$ 444,406
Mortality benefits	354,092	309,833
Endowments, disability benefits, annuities, cash values and interest	852,587	767,993
Dividends	57,877	53,426
	<hr/>	<hr/>
	\$ 1,705,349	\$ 1,575,658
Administrative and agency expenses	970,940	875,301
Taxes, licences and fees	46,433	44,725
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	\$ 2,722,722	\$ 2,495,684
Net balance for the year transferred to unallotted surplus	(12,908)	122,460
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	\$ 2,709,814	\$ 2,618,144

Notes:

1. The bonds and debentures (other than those referred to in note 2 below which are carried at cost) are carried at amortized cost and the stocks at cost. The investment and provisional reserves are more than sufficient to reduce these values to less than government authorized values.
2. The liability to the parent company, which is payable January 1, 1970, was incurred in connection with the purchase of certain securities which are subject to options to repurchase or resell. The liability bears interest at varying rates beginning January 1, 1964, which interest has been deducted from investment income in 1964.

INSURANCE COMPANY OF CANADA

at December 31, 1964

LIABILITIES

	1964	1963
Actuarial reserve for policies and annuities	\$11,559,769	\$11,118,976
Liability to parent company (note 2)	2,510,287	2,471,420
Provision for uncompleted and unreported claims	122,030	101,991
Policyholders' deposits, including accrued interest	374,791	385,167
Premiums received in advance	15,860	12,613
Provision for dividends to policyholders	100,271	95,056
Taxes payable — estimated	17,943	16,206
Accounts payable	33,972	27,034
Sundry liabilities	3,982	3,070
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Capital, reserves and surplus:		
Capital stock — 14,848 shares of \$100 par value, 30% paid-up	\$ 445,440	\$ 445,440
Investment reserve	200,000	200,000
Provisional reserve	200,000	200,000
Development reserve	155,746	168,654
Shareholders' surplus	23,615	23,615
Unallotted surplus	353,403	353,403
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	\$ 1,378,204	\$ 1,391,112
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	\$16,117,109	\$15,622,645
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STATEMENT OF UNALLOTTED SURPLUS

for the year ended December 31, 1964

	1964	1963
Balance at beginning of year	\$ 353,403	\$ 353,403
Add (deduct) net balance for the year transferred from statement of revenue and expenditure	(12,908)	122,460
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	\$ 340,495	\$ 475,863
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Deduct:		
Transfer to strengthen actuarial reserve due to change in valuation basis	\$ 26,858	
Transfer to (from) development reserve	\$ 95,602	
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Balance at end of year	\$ 353,403	\$ 353,403
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STATEMENT OF SHAREHOLDERS' SURPLUS

for the year ended December 31, 1964

	1964	1963
Balance at beginning and end of year	\$ 23,615	\$ 23,615
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STATEMENT OF DEVELOPMENT RESERVE

for the year ended December 31, 1964

	1964	1963
Balance at beginning of year	\$ 168,654	\$ 73,052
Add (deduct) transfer from (to) unallotted surplus	(12,908)	95,602
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Balance at end of year	\$ 155,746	\$ 168,654
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A. G. S. GRIFFIN,
President

P. J. BLOK,
Managing Director

In accordance with the Annual Statement filed with the Department of Insurance, Ottawa.

AUDITORS' REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

We have examined the balance sheet of The Commercial Life Assurance Company of Canada as at December 31, 1964 and the statements of revenue and expenditure, unallotted surplus, shareholders' surplus and development reserve for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial reserve for policies and annuities was determined and certified by the company's actuary, Mr. F. R. Clarke, F.C.I.I., F.I.A.

Based upon our examination and the certificate of the actuary, we report that in our opinion the accompanying balance sheet and statements of revenue and expenditure, unallotted surplus, shareholders' surplus and development reserve have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31, 1964 and the results of its operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books of the company.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada,
February 24th, 1965.

ACTUARY'S CERTIFICATE

I hereby certify that the Net Reserve for policies of The Commercial Life Assurance Company of Canada as at 31st December 1964 amounting to Eleven Million, Five Hundred and Fifty-Nine Thousand, Seven Hundred and Sixty-Nine Dollars (\$11,559,769) made up as follows: —

Participating Section	\$3,834,588
Non-Participating Section	\$7,725,181

is not less than the reserve required by the Canadian and British Insurance Companies Act, and in my opinion the reserve makes a good and sufficient provision for all unmatured obligations of The Commercial Life Assurance Company of Canada guaranteed under the terms of its policies.

F. R. CLARKE, F.C.I.I., F.I.A.

Toronto, Canada,
February 17th, 1965.

COMPANY OFFICES



HEAD OFFICE

1303 Yonge Street, Toronto, Ontario

Branches

MARITIMES HALIFAX

5670 Spring Garden Road
L. St. C. DOREY, *Manager*
C. WILLIAMS, *Supervisor*

ONTARIO

BARRIE

18 Tower Crescent
T. PROCEE, *Supervisor*

HAMILTON

370 Main Street East
J. R. MILLER, *Manager*

KITCHENER

277 King Street West
E. K. ILES, *Manager*
G. R. LUSK, *Supervisor*

LONDON

1472 Dundas Street
K. L. FARQUHAR, C.L.U., *Manager*

OTTAWA

309 Cooper Street
J. P. BARBARO, *Manager*

SUDBURY

45 Elm Street East
J. L. GAINER, *Manager*

TORONTO

1303 Yonge Street
C. A. LOW, *Manager*

WILLOWDALE

4 Finch Ave. W.
J. G. CAMPBELL, *Manager*

ALBERTA

CALGARY

1147-17th Avenue S.W.

EDMONTON

10089 Jasper Avenue
J. S. USBORNE, C.L.U., *Provincial Manager*
R. REICHERTZ, *Supervisor*

BRITISH COLUMBIA

VANCOUVER

1896 West Broadway
A. C. MUSELLAM, C.L.U., *Manager*



THE COMMERCIAL LIFE ASSURANCE COMPANY OF CANADA

1303 Yonge Street Toronto 7, Ontario